

Message Text

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ACTION AF-04

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FM AMEMBASSY ACCRA

TO SECSTATE WASHDC 3720

C O N F I D E N T I A L ACCRA 4086

LIMDIS

E.O. 11652: GDS

TAGS: EFIN, EALR, EAID, GH

SUBJECT: MAJOR ECONOMIC POLICY DECISIONS POSSIBLE

REF: (A) ACCRA 3221, (B) ACCRA 2017

1. SUMMARY: DURING COURSE MAY 19 MEETING FINANCE COMMISSIONER TOLD AMBASSADOR THAT MAJOR ECONOMIC POLICY PACKAGE (REFTELS) WAS STILL UNDER ACTIVE DISCUSSION WITH HEAD OF STATE; THAT HIS MINISTRY WAS DRAFTING 1978/79 BUDGET ON ASSUMPTION THAT PACKAGE WOULD BE APPROVED; AND THAT HE HAD DISCUSSED DETAILS INFORMALLY WITH IBRD OFFICIAL AT TIME OF AFRICAN DEVELOPMENT BANK MEETING IN LIBREVILLE. HE HINTED DECISION MIGHT COME WITHIN TWO WEEKS. AMBASSADOR STRESSED OUR WILLINGNESS, IF ASKED, TO RECOMMEND TO WASHINGTON THAT WE BE HELPFUL IN SUPPORTING PROGRAM WHICH RECEIVED IMF AND IBRD APPROVAL. END SUMMARY.

2. BUDGET. WITHOUT PROVIDING ANY FIGURES, COMMISSIONER APPIAH IMPLIED THAT REVENUE COLLECTIONS WERE RUNNING BELOW 1977/78 (JULY TO JUNE) BUDGET ESTIMATES AND MADE CLEAR THAT EXPENDITURES WERE
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GREATLY IN EXCESS OF BUDGET ESTIMATES. FOR 1978/79, HE HOPED TO FREEZE EXPENDITURES AT THE FY 1978 LEVEL AND TO DELAY FURTHER IMPLEMENTATION UNTIL FY 1980 OF SOME DEVELOPMENT PROJECTS NOW UNDERWAY. TO THIS END, GHANAIAIN CONSTRUCTION FIRMS WOULD BE LIMITED TO UNDERTAKING ONLY TWO CURRENT PROJECTS AT A TIME. PROJECTS HALTED IN 78/79 WOULD BE SELECTED

TO MINIMIZE IMPACT WITHIN ANY DISTRICT (I.E., IF TWO SCHOOLS WERE UNDER CONSTRUCTION IN ONE DISTRICT, ONLY ONE WOULD BE HELD UP).

3. ECONOMIC POLICY PACKAGE. COMMISSIONER APPIAH CONFIRMED THAT PACKAGE OF RECOMMENDED ECONOMIC POLICIES WAS STILL UNDER ACTIVE DISCUSSION WITH HEAD OF STATE. FURTHER CHANGES WERE TO BE MADE "IN A COUPLE OF AREAS" BEFORE IT WOULD AGAIN BE PUT UP FOR APPROVAL (PRESUMABLY BY SUPREME MILITARY COUNCIL) WITHIN NEXT TWO WEEKS. COMMISSIONER REFERRED TO PACKAGE AS STABILIZATION PROGRAM. ECHOING THE THOUGHT PUBLICLY EXPRESSED APRIL 14 (REFTEL A), HE SAID GHANA WOULD IMPLEMENT ITS OWN PROGRAM BEFORE GOING TO THE IMF. HOWEVER, HE SUBSEQUENTLY MENTIONED THAT HE HAD INFORMALLY DISCUSSED THE SPECIFICS OF THE PROPOSED STABILIZATION PROGRAM WITH AN IBRD OFFICIAL AT TIME OF AFRICAN DEVELOPMENT BANK MEETING IN LIBREVILLE.

4. U.S. ATTITUDE. AMBASSADOR, NOTING THAT THERE WAS A LARGE RESERVOIR OF GOOD WILL TOWARD GHANA ON PART OF U.S. PUBLIC, SAID THAT WE WERE DISAPPOINTED THAT PRESENT SITUATION PREVENTED OUR BEING MORE HELPFUL TO GHANA. HOWEVER, IF GOG
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ADOPTED A STABILIZATION PROGRAM WE WOULD BE WILLING, IF ASKED, TO RECOMMEND AN INCREASE IN OUR ASSISTANCE TO GHANA, PROVIDED PROGRAM WAS ONE WHICH THE IMF/IBRD COULD SUPPORT.

5. COMMENT: FOR FIRST TIME SINCE THIS EXERCISE CAME TO OUR ATTENTION (REFTEL B), WE ARE GENUINELY PERSUADED THAT SOME CONCRETE MEASURES WILL BE TAKEN IN EFFORT TO BRING DISCIPLINE TO THE ECONOMIC SITUATION HERE. BUDGET, WHILE DRAFTING NOT YET FAR ADVANCED, WILL NEVERTHELESS INCREASINGLY BECOME "LOCKED IN" AND WE DOUBT COMMISSIONER WOULD PROCEED IN THIS MANNER WITHOUT CONFIDENCE THAT HIS PACKAGE IS GENERALLY ACCEPTABLE TO HEAD OF STATE. SIMILARLY, WE DOUBT HE WOULD DISCUSS PACKAGE, EVEN INFORMALLY, WITH IBRD WITHOUT REASONABLE EXPECTATION IT WILL BE ADOPTED. THE ISSUE IS WHETHER WE WILL GET A FULL-DRESS STABILIZATION PROGRAM OR SOME ARRAY OF MEASURES (FROM THOSE CITED REFTEL A) SHORT OF THAT. AT THIS STAGE, ALTHOUGH INCLINED TOWARD LATTER POSSIBILITY, WE SIMPLY DON'T KNOW. WE WILL REPORT ANY FURTHER INDICATIONS WE

RECEIVED CONCERNING GOG ADOPTION OF ECONOMIC
POLICY MEASURES.
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